

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF RATES OF ELAM)
UTILITY COMPANY) CASE NO. 9845

O R D E R

On January 16, 1987, Elam Utility Company ("Elam") filed its application, pursuant to 807 KAR 5:076, Alternative Rate Filing Procedure for Small Utilities, to increase its rates charged for natural gas service. The application for an increase in Elam's annual revenues was based on a 1986 historical test period. Elam's request for additional annual revenues did not contain a determination of net investment rate base, did not contain pro forma adjustments, did not contain a determination of rate of return on rate base, nor did the request contain a determination of the requested increase in annual revenues.

On June 23, 1987, the staff placed into the record of evidence a report which recommended an increase in Elam's annual revenues of approximately \$8,731. The staff report was based on a field review of Elam's financial and operating records conducted on April 8-9, 1987. The scope of the field review was limited to obtaining information to determine the validity, accuracy, and recurring nature, for rate-making purposes, of the amounts reported as revenues and expenses during the test period. The staff's report contained a determination of net investment rate

base, acceptable revenues and expenses, rate of return on rate base, and a determination of revenue requirements.

The Commission finds the staff report to be persuasive in this case because the report determined revenue requirements in a systematic and rational manner and has not been rebutted. Therefore, the Commission has determined that an increase of approximately \$8,731, or 2.7 percent, in Elam's annual operating revenues, as recommended by staff, is fair and reasonable for rate-making purposes.

Elam has applied for and been granted reconsideration in the matter of the \$16,000 credit from Capitol Oil and Gas Company. That issue is still under investigation. If a refund is deemed necessary, it will be implemented through a purchased gas adjustment.

SUMMARY

The Commission, after consideration of the evidence of record and being advised, is of the opinion and finds that:

1. The rates and charges proposed by Elam would produce revenues in excess of those found reasonable herein and should be denied.

2. The rates and charges in Appendix A herein are fair, just, and reasonable and will provide for the financial obligations of Elam with a reasonable cash surplus.

IT IS THEREFORE ORDERED that:

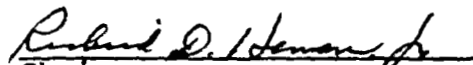
1. The rates and charges proposed by Elam are hereby denied.


2. The rates and charges in Appendix A are approved for service rendered on and after the date of this Order.

3. Within 30 days of the date of this Order, Elam shall file with this Commission its revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 30th day of July, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 9845 DATED JULY 30, 1987.

The following rates and charges are prescribed for the customers served by Elam Utility Company. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the date of this Order. These rates contain all adjustments through Case No. 9375-F.

RATES: Monthly

RESIDENTIAL & COMMERCIAL

Customer Charge	\$ 4.10
First 11 Mcf	6.67 per Mcf
Over 11 Mcf	7.67 per Mcf

INDUSTRIAL

Customer Charge	\$ 5.15
All Mcf	6.67 per Mcf

The base rates for the future application of the purchased gas adjustment clause of Elam Utility Company shall be:

Transportation Commodity

Columbia Gas Transmission Corporation	\$.6434	-
Capitol Oil and Gas		\$3.9090 per Mcf
EnTrade		2.2681 per Dth